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**SECRET**

**RCMP-CSIS JOINT REVIEW COMMITTEE**

**DRAFT SUBMISSION**

# **Chinese Intelligence Services and Triads Financial Links in Canada**

**DRAFT SUBMITTED TO THE  
RCMP-CSIS  
JOINT REVIEW COMMITTEE**

**24 June 1997**

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## FOREWORD

In May 1996 a joint project was initiated by the RCMP Criminal Analysis Branch and the CSIS Analysis and Production Branch to assess the extent of the threat posed by the requisition and control of Canadian companies by members or associates of triads with affiliations to the Chinese Intelligence Services. The research team quickly realized that the initial premise was the tip of the iceberg with only a minute portion of a much more complex situation showing. It should be stressed that this report is a prospective document that makes no claim to provide a full survey of the issue; in fact, quite the opposite. (S)

This document does not present theories but indicators of a multifaceted threat to Canada's national security based on concrete facts drawn from the databanks of the two agencies involved, classified reports from allied agencies and various open sources. This study has departed from the conventional and sometimes confining approaches followed by our respective methodologies. Although both organizations have fairly extensive expertise on Chinese matters, it is nevertheless very different. It is clear at the end of this exercise that both organizations have gained from cooperating on this research. When put together, these two bodies of expertise complement each other, providing a broader and more substantial perspective of the Chinese issues. (S)

The scope of the problem found after a few weeks of research dictated that the initial research results had to be presented in the form of case studies. At the moment, we estimate that over 200 Canadian companies are under the direct or indirect control of China. Although it was impossible to do all the research within the parameters initially given, however, sufficient details have been found to reveal the threat. It should be reiterated that this report presents concrete facts, not just ideas or speculation. We trust that we have demonstrated the need to continue the work within a broader and more elaborate framework. (C)

## CHINESE INTELLIGENCE SERVICES AND TRIADS FINANCIAL LINKS IN CANADA

### SUMMARY

Since the mid-1980's, a substantial immigration flow from Hong Kong has taken place and Canadian authorities were first alerted when a significant presence of Chinese organized crime elements among this group was detected. Many came through the "entrepreneur" and "investor" immigration program and some of these criminals even have succeeded to obtain their Canadian citizenship. Although not all immigrants in these categories are suspected, two particular groups of individuals raised attention. Two other groups have also taken advantage of the "entrepreneur" and "investor" categories to immigrate and to invest in Canada. First, a certain number of very rich Hong Kong Chinese business people (tycoons) who are known to have been cooperating with the Chinese Government for years. Then a group composed of associates and relatives of China's leadership and the Chinese Intelligence Services (ChIS). Intelligence reveals that certain individuals of these three groups have been working for over fifteen years in concert with the Chinese government, and some of their "financial ventures" in Canada serve to conceal criminal or intelligence activities. (S)

Hand in hand with this situation, the ChIS make very active use of their access to Canadian industries through exchanges of specialists and students, and also set up shell companies to pursue their acquisition of economic and technological intelligence. Cooperation between the Hong Kong tycoons, the triads and the Beijing leadership adds a new dimension to the well known "mass line collection" strategy followed by the ChIS. This situation substantially raises the level of the potential threat, revealing the effectiveness of Chinese efforts to obtain Canadian technology and their capability to interfere in the management of the country. Central points and essential for the understanding of the problem are the cultural singularities that characterize the Chinese as the concepts of "debt of honour", "duties", "Hou Tai or backers" and "Guanxi or connections". (S)

By using these alliances, the Chinese government is trying to gain influence on Canadian politics by maximizing their presence over some of the country's economic levers. To that end, they proceed initially to buy and/or legally set up a company in Canada that, once under their control, buys other companies and so on. An effective domino effect ensues that acts like a well-spun web or network at strategic points. It is estimated that over 200 Canadian companies have passed into Chinese influence or ownership since the early 1980's through the triads, tycoons or China national companies. These businesses are found in various sectors of the economy, ranging from multinationals to banking, high technology and real estate (CITIC, Norinco, Husky Oil, Grand Adex Properties Inc, Merrill Lynch, Gordon Capital Inc., Tai Poong International, CIBC, Ramada Hotels, China Vision and Semi-Tech Corporation, etc.). The triads' companies are also used to pursue their criminal activities, such as money-laundering and heroin-trafficking, as well as assistance to the ChIS. (S)

Being Canadian these businesses are also eligible to receive government subsidies for research or classified contracts from Federal Departments. The risk is that after the research is done, the results can be transferred to China. Other form of risk is with the access gain through classified contract. As an example, a Canadian company under Chinese influence was in contention for a contract to set up and run a classified communications system linking the main agencies of the Canadian intelligence community. A company in Toronto specializing in video surveillance was originally Canadian, but was bought by a Chinese multinational. It is impossible at present to say how many or which Canadian companies are in the same situation. These examples, however, raise questions about the integrity of some companies that have already installed security systems for various Canadian government institutions or Canadian research industries. (S)

Significant portions of some large Canadian urban centres are also owned by Chinese entrepreneurs. For example, it is estimated that Li Ka-shing owns with his son at least one sixth to one third of downtown Vancouver. (S)

These "corporate" figures have become an influential presence on the political and economic landscapes of Toronto and Vancouver and at the provincial and federal levels. The triads, the tycoons and the CHS have learned that quick way to gain influence is to provide finance to the main political parties. Most of the companies identified in this research have contributed, sometimes several tens of thousands of dollars, to the two traditional political parties, that is, the Liberal and the Progressive-Conservative Parties. (S)

The Chinese leadership continues to gain much direct or indirect influence over the Canadian economy and politics. Having bought significant real estate holdings and established businesses in Canada, China has obtained access to influential figures who are now or once active at various levels of Canadian society. In many ways, China remains one of the greatest ongoing threats to Canada's national security and Canadian industry. (S)

"Be so subtle that you are invisible.  
Be so mysterious that you are intangible.  
Then you will control your rival's fate"

Sun Tzu

The Art of War (c. 509 BC)

## INTRODUCTION

1. With the announcement of the return of Hong Kong to China in the mid-1980s, Canada witnessed the arrival of a substantial immigration and capital flow from that region. For example, between January 1990 and March 1997, 237,077 Hong Kong residents emigrated to Canada, of whom nearly 70,000<sup>1</sup> were in the "entrepreneur" or "investor" category. This exceeded the "family" category over the same period. Although the great majority of these migrants were legitimate, the Canadian authorities detected a significant presence of Chinese organized crime elements, among them, namely the triads and their associates, some of whom succeeded in obtaining Canadian citizenship.<sup>2</sup> (S)

2. Some wealthy Hong Kong Chinese investors and Chinese from Mainland closely affiliated or related with the country's leadership and the CHS also took advantage of the "entrepreneur" and "investor" categories to emigrate to and invest in Canada. Few even bought or established companies on Canadian soil through a family member who had obtained Canadian citizenship. Intelligence indicates that these specific individuals with these three groups: triads, Hong Kong investors and people close to China's leadership, have been identified working with concert with the Chinese government to gain influence through some of their "financial ventures" in Canada. Some companies which are also used to conceal criminal or intelligence activities. At the same time, the CHS use their access to Canadian businesses through exchanges and technical or student visits to steal classified and technological information. They have gone so far as to set up shell companies to pursue their economic and technological information acquisition operations. (S)

3. A new triumvirate was born. This cooperation between Hong Kong Chinese business people, the triads and the Beijing leadership adds a new dimension to the known mass line collection strategy followed by the CHS. Economic, political and security indicators based on factual data revealed the potential threat and efforts made by the Chinese to obtain Canadian technology, but above all to obtain influence over economic levers and prominent Canadian figures. (S)

## BEIJING'S STRATEGIC ALLIANCES, OR THE LESSONS OF SUN TZU

4. When Deng Xiaoping came to power in the late 1970's, he introduced his economic reforms with the slogan "to get rich is glorious". To achieve that end, he had to move China onto the international markets. The isolationism of the former regime, however, handicapped the Chinese leadership. It therefore turned to the richest Chinese business people of Hong Kong, including, among many others, Li Ka-Shing, Henry Fok

<sup>1</sup> See Appendixes I and II, tables on immigration from Hong Kong.

<sup>2</sup> See Project Stopover, CID/RCMP.

Ying-Tung, Wang Foon-Shing, Stanley Ho<sup>3</sup> and the man who would eventually be chosen by Beijing to head Hong Kong after the departure of the British, Tung Chee-Wa (C.H. Tung). On 23 May 1982, Li Ka-Shing and Henry Fok met with Deng Xiaoping and Zhao Ziyang in Beijing to discuss the future of the peninsula. Their task would be to advise and educate the Chinese authorities about the basic rules of capitalism. In return, Beijing gave them privileged access to the vast Chinese economic basin. These powerful international financiers played an important role in the preparations for the transfer of Hong Kong. (UC)

5. In 1984, the British Government of Margaret Thatcher announced that it would return Hong Kong to China on 1st July 1997. This was not news to the Chinese or the rest of the world since a treaty signed nearly a century before had stipulated that Hong Kong was to revert to China in 1997. The reality of the impending transfer, however, created insecurity that was strengthened by the tragedy of Tiananmen Square in June 1989. That incident made Beijing realize more than ever that it would have to prepare the ground for its arrival not only with regard to the financial community but also the population. In the late 1980s, Western intelligence services reported the very active presence in Hong Kong of the United Front Work Department (UFW)<sup>4</sup>. For that purpose, the UFW was given the responsibility among other things for building alliance with the triads already affiliated with many business people. As early as 1992, Western intelligence services knew that Wong Man Fong, formerly Head of the New China News Agency, was instructed to inform the triads bosses that if they agreed not to jeopardize with the transition process and the normal business in Hong Kong, Beijing would assure them that they will be allowed to pursue their illegal activities without interference<sup>5</sup>. The Beijing authorities also created a front company in Hong Kong for Wong Man Fong to facilitate his contacts with the triads and to assist triads groups set up legitimate business in China, particularly in Guangzhou and Shanghai<sup>6</sup>. Following these negotiations, Deng Xiaoping himself was speaking of the triads as Chinese "patriotic groups", and the Hong Kong press published a photograph of Charles Heung, a senior officer of the Sun Yee On, conversing with the patriarch's daughter.<sup>7</sup> At the same time, Interior Minister Tao Siji indicated that there were patriotic members among the triads and they were welcome to do business in China. (S)

6. The political class has also been targeted by Beijing's leaders. Without any doubts for the communist masters, it was essential to obtain the cooperation of key elements of influential local personalities. Their collaboration or their resistance to China's requests before July 1st was going to make the difference between the possibility to do business with China after the transition. To achieve this, political and business people

<sup>3</sup> In 1996 FORBES magazine estimated the "official" personal fortune of Li Ka-Shing at US\$10.5 billion, Henry Fok Ying-Tung at \$2.5 billion and Stanley Ho at \$3.1 billion. (UC)

<sup>4</sup> The United Front Work Department is one of the five components of the ChIS. See CISIS Report 95-6/13, *The Future of Hong Kong: New Dogma, Old Tricks*.

<sup>5</sup> In May 1996 the publisher of the Hong Kong tabloid *Surprise Weekly*, Leung Tin-wai, received two individuals at his office at the height of the day. They cut off his arm with a kitchen knife because the newspaper was preparing to publish an article unfavourable to Beijing in relation to Hong Kong's return in July 1997. (UC)

<sup>6</sup> Wong himself recently confirmed this information in a public conference in Hong Kong after defecting to Western authorities.

<sup>7</sup> See *Project Sunset*, CID/RCMP.

have been approached and enthusiastic collaborators received positions within various transition committees. For example, in early February 1997, Rita Fan Hsu Lai-Tai was appointed by Beijing, chair of the Hong Kong Special Administrative Region (SAR) Provisional Legislative Council (LEGCO). Mrs Fan Hsu has been identified as a secret cadre of the Chinese Communist Party and an associate of Albert and Sonny Yeung, both officers of the Sun Yee On triad. She is also the daughter of one of the leaders of the Shanghai Triad, criminal organization known as the Green Gang before the communist takeover in 1949. This group was known for its political assassinations on behalf of another triad boss, Chiang Kai Shek. (S)

## IMMIGRATION TO CANADA

7. Canada has always been a preferred destination for the people of Hong Kong. It is estimated that 100,000 Canadians live on the peninsula, and most of them are natives of the city. Hong Kong alone has been for the last 10 years the top source of immigration to Canada, with over 500,000 Hong Kong people now living here and accounting for 22 per cent of all immigration to Canada. Over half of the 66,000 persons who left Hong Kong in 1996 came to Canada. To that must be added 17,000 students, amounting to a fifth of all foreign students in Canada. (C)

8. Among legitimate immigrants in recent years, some persons affiliated with or members of the Chinese triads<sup>8</sup> have succeeded in slipping in and obtaining Canadian citizenship. Several triad officers<sup>9</sup> and their associates even have family members residing in Canada. Their choice of Canada was no accident. This country is an excellent place to invest in companies to launder the profits derived from criminal activities while securing a portion of their assets outside Hong Kong and obtaining a Canadian passport. Most of these individuals are members or associates of the upper echelons of the triads and own or run large businesses in Hong Kong. As part of their secret agreements reached with the Beijing leadership,<sup>10</sup> these triads now use their Canadian acquisitions to engage in intelligence activities, such as intimidating individuals, identifying potential sources or facilitating visit of Chinese delegations on behalf of China. (S)

9. Two other types of investor represent another a danger to the Canadian economy, namely, the rich Hong Kong Chinese business people and leaders of the Chinese civilian and military authorities of China. Like the "entrepreneurs" affiliated with the triads, Chinese investors from Hong Kong or Beijing have taken control of Canadian companies in various sectors of the economy. Some of these businesses have even obtained Canadian government classified contracts. The threat is more significant because the strategic alliance between the Beijing leadership and Hong Kong tycoons is reinforced by the powerful ethnic and cultural ties associated with *guanxi*<sup>11</sup>. This concept rules the links, the obligations or duties and the type of relations between individuals and is a characteristic of the Chinese culture. (S)

<sup>8</sup> See Appendix III, Origin and Description of the Triads.

<sup>9</sup> See Appendix IV, Profiles of Typical Triad Members.

<sup>10</sup> See CSIS Report 95-6/06, *Organized Crime Links to the Intelligence Services of China and Taiwan*.

<sup>11</sup> See Appendix V, Guanxi or Networking.

10. In all three cases, their commercial activities have enabled them to develop a position in the Canadian economy that affords them the opportunity to engage in intelligence activities, such as illicit transfer of technology, foreign influence and interference, identification and cultivation of persons favourable to China, and the acquisition of undue control in important Canadian economic and political circles. (S)

11. Even before Hong Kong's official return to the Communists, it was established by several Western agencies that their national immigration systems had been affected by illegal CHS and triad interference. Laurence Leung Ming-Yen, a former director of the Hong Kong immigration service, is still under investigation after he had to resign under the pressure of allegations of corruption and illegally disclosing confidential information about residents of the peninsula. The controversy surrounding Leung was fed by his business relationship with the flamboyant tycoon Tsui Tsin Tong, well known for his pro-Beijing views and a member of the notorious Chinese People's Political Consultative Conference and Preparatory Committee. The murder of Leung's young daughter in Vancouver in 1993 by a crossbow bolt has still not been solved. The Vancouver police suspect the crime was committed by triad members.

12. In 1996, an extensive special investigation within the American immigration service led to the arrest of two former heads of this service stationed in Hong Kong. Jerry Wolf Stuchiner was found in possession of illegal Honduran passports<sup>12</sup> and was recently released after he accepted to collaborate in the trial of James DeBates.<sup>13</sup> James DeBates and his wife Heddy, an American of Chinese origin, were also arrested and questioned regarding their involvement in Stuchiner's activities and the illegal entry of Chinese immigrants into the United States. Canada has unfortunately its share of difficulties. Different cases were investigated and like the case of Robert Geddes, a former citizenship judge, whom was charged in May 1997 with 33 counts of fraud and misrepresentation in 13 known cases involving Hong Kong Chinese. (S)

13. Analysis of the destination of immigrants broken down by Canadian province is an indicator of the concentration of the activities of these groups. Between January 1990 and March 1997, 39.1 per cent of the persons registered in the entrepreneur and investor categories chose to settle in British Columbia, particularly in the south Fraser Valley. Ontario for its part received 28.5 per cent of immigrants, who settled mainly in the Toronto area. This pattern is explained by the large, long-established Chinese communities in these areas which are essential to the activities of the triads, Chinese investors and CHS. Under the same program, 20.6 per cent of such immigrants settled in Quebec while Alberta received only 7.3 per cent. (S)

## HUNDREDS OF CANADIAN COMPANIES "MADE IN CHINA"

14. The influx of Chinese investors who are affiliated with the triads or new associates of Beijing poses a new challenge to Canada's national security. The central point of the strategy of the Chinese is first to buy a Canadian company so as to obtain a "local identity", legally concealing subtly their foreign identity. Then, using this acquisition, the Chinese-Canadian company invests heavily or buys other companies in various economic sectors, but always under the Canadian banner. In actual fact, control lies in Hong Kong or Beijing.

<sup>12</sup> Several thousands of Honduran passports were reported stolen last year.

<sup>13</sup> Stanley Ho, the Macao casino tycoon, is Honorary Consul of Honduras in Macao.

and the financial benefits or fruits of research, often paid for by Ottawa or the provinces, are likely to make their way to Asia. (S)

15. Hand in hand with their ethnicity and their commercial ambitions, the financial network of the Chinese entrepreneurs associated to the organized crime and to the power in Beijing has grown exponentially and very rapidly in Canada. Their influence over local, provincial and national political leaders has also increased. In the game of influence, several of these important Chinese entrepreneurs have associated themselves with prestigious and influential Canadian politicians, offering them positions on their boards of directors. Many of those companies are China's national companies. (S)

16. The analysis of the information demonstrates that their attention was not initially directed towards sensitive sectors like high technology or other even more sensitive areas, but towards what might be called "soft" sectors such as; real estate, hotels, transportation, oil companies and travel agencies. Commercial sectors that at first sight do not involve any security risks and did not attract the attention of the Canadian services responsible for security. The scale of their ventures or investments has now made them some of the most important figures present in the major centres, and their decisions to invest in one place or another are not a matter of indifference to anyone. Such projects are seen by the local or national business community as a "favour" or a "chance" not to be missed. (S)

## CASE STUDIES

17. It is estimated at the present time that over 200 Canadian companies are under Chinese control. These businesses are to be found in myriad sectors of the economy, ranging from multinationals to banking, high technology and real estate. Some typical cases are presented here to illustrate the various scenarios that are clearly worrying for Canada's national security. At first site, these individual cases do not seem to be a great threat. It becomes, however more disturbing when the ownership links between various sectors or Canadian enterprises are revealed. (S)

### Multinationals

18. CITIC (Canada). China International Trust Investment & Company (CITIC) is the largest Chinese company operating internationally. It has subsidiaries in several Western countries, including the United States and Canada (Vancouver). Founded at the end of the 1970s, it now has assets worth US\$23 billion. Its subsidiary in Canada, CITIC BC Inc., opened its doors in 1986. By 1995, it reported a turnover of CND\$250 million (1995). The projections for 1996 aimed for \$290 million. (UC)

19. CITIC was initially established to encourage foreign investment in China. It has since taken the lead in Chinese investments outside China, in all areas from real estate to electronics. In 1979, Beijing appointed to CITIC's board of directors three Hong Kong financial giants, Li Ka-Shing, Henry Ying-Tung Fok and Wang Foon-Shing. With their assistance, in the following years, the Beijing acquired important companies such as Cathay Pacific Airlines, Hong Kong Telecom and Star TV. In Canada, it is estimated that CITIC has invested nearly \$500 million to buy up Canadian businesses in various areas, such as Celgar Pulp Mill in British Columbia, Nova Corp Petrochemical in Alberta, real estate through Hang Chong Investments Ltd. and hotels. Eventually, CITIC developed also close business links with Power Corporation. (S)

20. CITIC recently attracted American media attention in the scandal over illegal contributions to the US Democratic Party and influence-peddling by the Chinese government (see section below). CITIC, China Resources and the Lippo Group (in which in both Li Ka-Shing is a large shareholder) are at the centre of the affair. CITIC chairman, Wang Jun, is also chairman of Poly Technologies (see next section). CITIC has repeated the gesture by contributing through its Canadian subsidiaries to Canadian political parties. (UC)

21. Norinco and Poly Technologies (Poly Group). Northern Industrial Corporation (Norinco) and Poly Technologies (a subsidiary of Poly Group) are both owned by China and are under the control of CITIC. They have subsidiaries around the world, including Canada (Montreal) and the United States. Poly Group was until recently headed by Deng Xiaoping's son-in-law, He Ping, and is part of the entrepreneurial drive of the People's Liberation Army (PLA). Several large quantities of arms manufactured by Norinco have been confiscated on Indian reserves, especially those of the Mohawks. In May 1996, US authorities made what they described as the biggest arms seizure on American soil, confiscating 2,000 AK-47 assault rifles and other military weapons from a warehouse in California. The US-based Chinese representatives of Poly Technologies and Norinco were arrested in connection with this affair. Although the final destination of the arms has still not been determined, the Amerindians "Warriors" and American militias trails are strongly suspected by US authorities. (S)

22. In another incident, the Rex International Development company of Hong Kong, in which Norinco is the majority shareholder, is currently under investigation and possibly subject to prosecution for exporting components for the manufacture of chemical weapons to Iran. Rex was established in 1982 as a joint venture with Norinco by Tsui Tsin-Tong, a financial partner of Li Ka-Shing. Tsui filed an application to emigrate to Canada in 1985 which has been renewed several times. His case is still not settled because he has never satisfied the Canadian authorities by providing adequate explanations of his contacts with the PLA and the ChIS. Silver City Development Ltd., which holds shares in Rex, has been used for several years by the ChIS and the Chinese leadership as an investment front and cover. (S)

23. Through the power of its multinationals industries and the billions of dollars they generate, China has been able to establish itself in the Western economy. This gave to that country an enormous advantage in the pursuit of gaining influence. In return through these subsidiaries and influences, they are able to open channels to facilitate access to Western power and traffic of illegal weapons or technology. (S)

#### Banks and financial institutions

24. CIBC and Hong Kong Bank of Canada. The banking industry is one if not the most important economic leverage of this country. To control or to be able to influence the actions of a bank gives to a single or a group of important share holders a very influential and privilege position in our society. In this domain, Canada might be in a disadvantage position. Of the G-7 countries, Canada has the fewest banks that is five major institutions including the CIBC which in return creates the highest concentration of assets in the same hands. Banks, as a whole, hold 57 per cent of industrial shares, 54 per cent of private deposits and 65 per cent of personal credit. Some analysts predict that the Canadian banks will hold 70 per cent of the mutual fund market by the year 2000. (UC)

25. Rich investors like Li Ka-Shing and even the Chinese regime itself got interested in the 1980s to invest in banks and Canadian banks too. Li Ka-Shing owns 10 per cent of the CIBC, which is the largest single

individual share holder. He is also in partnership with the CIBC in many companies like development project of the land of Expo 86 in Vancouver (CDA\$ 3 billion). This bank seems to be particularly used by Chinese investors. The 1980s saw several bank acquisitions and mergers in this country. The Continental Bank was sold to Lloyds Bank Canada which in turn was bought by the Hong Kong Bank of Canada. The latter is the sixth largest bank in Canada, and the largest foreign one. In 1986, it acquired the Bank of British Columbia. Li Ka-Shing and Stanley Ho<sup>14</sup> are share holders and on the Board of Directors of the Hong Kong Bank in Hong Kong which own the subsidiary in Canada. The Government of China is also a share holder of that bank. (UC)

26. **Wood Gundy, Merrill Lynch and Gordon Capital Corp.** Other important financial sector linked to banks is the brokerage house business. In Canada, it is dominated by a few large banks. In 1993, eight of the largest Canadian brokerage institutions were owned by five banks and controlled 70 per cent of the securities market. In 1988, the CIBC bought 65 per cent of the shares of Wood Gundy at a cost of CDA \$190 million, or three times the book value. (UC)

27. In 1990, the CIBC took over Merrill Lynch-Canada, one of the eight large Canadian institutions. Merrill Lynch International is owned by Thomas Fung (see below, China Vision) and Li Ka-Shing business associate. Another prestigious old Canadian firm is Gordon Capital Corp. became 50.1 per cent owned by Richard Li, son of Li Ka-Shing, in October 1995. That is two years after Richard began to work for the firm. After Richard joined the board, William (Ken) Davidson, former vice-president and executive director of the CIBC, received a position on the board, and Bob Fung the position of vice-president. His son Mark often travels on Team Canada trips to Asia. Again, it is not only the financial leverage that should be notice but the gain of influence that sector offers. (S)

### High technology

28. **Semi-Tech Corporation.** Semi-Tech Corporation is a Canadian multinational corporation based in Markham, Ontario. It was formed from various public companies listed on several stock exchanges, including Toronto, Montreal, New York, Tokyo, Osaka, Nagoya, Frankfurt and Hong Kong, and has revenues of over US\$3.5 billion. This corporation, and its chairman James Ting in particular, have business ties with China. Stanley Ho is the principal shareholder through his company Shun Tak (Hong Kong) and sits on Semi-Tech's board. (UC)

29. This company has concentrated in particular on information technology, establishing Semi-Tech Microcomputers Ltd., Semi-Tech MicroElectronics Corp., Semi-Tech Electronics, Singer and STM Systems Corp. The last of these was established by the merger of Data Crown (Canada) and Canada Systems Group, two companies that count various federal government departments among their clients and some of whose employees are regularly in contact with Chinese diplomatic representatives. Of particular note is the fact that Canada Systems Group had applied to undertake the development of COSICS, the Canadian On-line Secure Information and Communication System that was to link the Department of External Affairs, the RCMP, CSIS and National Defence. The project was suspended by the federal government due to the lack of financial

<sup>14</sup> Stanley Ho holds a monopoly on the six casinos on the Island of Macao which alone bring in US\$6 billion a year. (UC)

resources. (S)

30. **China Huaneng Group, Unipac Canada Ltd. and Goldpark China Ltd.** On 13 January 1997 Canadian newspapers announced that the Chinese companies China Huaneng Group Hong Kong Ltd. (CHG(HK)) and China International United Petroleum and Chemicals Co. (Unipac) had concluded an agreement whereby Huaneng could buy 70 per cent of the shares of Unipac Canada Ltd. Unipac Canada Ltd., in turn, holds 57 per cent of the shares of Goldpark China Ltd. of Toronto which holds exclusive world rights for the production of photographic security systems. CHG(HK) is a subsidiary of the fifteenth largest Chinese State company, China Huaneng Group. Unipac for its part is a giant of the Chinese oil industry which has sought in recent years to diversify its activities. It is also famous for the many lawsuits against it and for its illegal transactions involving large arms sales to Iraq for oil. (UC)

### Entertainment and media

31. It has been known for several years that the Hong Kong triads, particularly Sun Yee On, control the Chinese entertainment industry. In Canada, some promotion companies with affiliations to Chinese organized crime and the CHS have organized tours for artists from China and Hong Kong. Significant investments have also been made by these groups in the Canadian Chinese-language media, including the Chinese-language television industry which is integrated into the general Canadian television system. (S)

32. **Charles Y.M. Kwan Promotions.** Charles Kwan Yee Man<sup>15</sup> has been active in the Asian live entertainment business industry for years through his companies, including China Cultural Promotions Limited and Charles Y. M. Kwan Promotions Inc. In the course of his business activities Kwan is regularly in contact with prominent members of the Hung Lock and Sun Yee On triads. He also maintains relations with the Chinese Free Masons (CFM) in Toronto which have always been used by the CHS to identify potential sources and promote Chinese policies. (S)

33. **North America Studio (Canada).** Although this company closed its doors in 1996, it was well known in police circles for its criminal origins. Also using the names North America (Canada) Motion Picture Corp. and North America (Canada) Television Corp., this company has been under the control of the Sun Yee On triad since its beginning. The firm attracted media attention recently as a result of the legal saga of Miranda Yuen, an employee of North America Studio and the ex-wife of the top boss of the Wo Hop To triad. In the early 1990s, members of the Sun Yee On Triad bought a warehouse in Markham, Ontario which was converted at a cost of \$7 million into a film and television production studio. The group has since been the subject of ongoing investigation by police authorities in connection with certain criminal activities. Some of the company's executives were regularly in contact with representatives of the Chinese diplomatic missions in Canada and were regularly involved in Canadian political circles like serving as intermediaries in organizing a dinner between the mayors of Shanghai and Toronto. (S)

34. **China Vision and Fairchild Entertainment.** China Vision is a pay-TV station in Toronto, established by Francis Cheung in 1981. In 1991 it had about 110,000 Canadian subscribers of Chinese origin in the Toronto, Edmonton, Calgary and Vancouver areas. Pro-democracy groups across Canada submitted briefs

<sup>15</sup> See Project Shehang, CID/RCMP.

to the CRTC alleging that Cheung received financial assistance from the Chinese government, and that China Vision's reports on China were approved and influenced by the government of that country. (UC)

35. In 1992, the CRTC entertained an initial offer of purchase for China Vision. This offer was made by John Sham, a Toronto resident, Hong Kong film promoter and an employee of Television Broadcast Ltd. of Hong Kong. Sham is an associate of Charles Heung, a senior officer of the Sun Yee On triad. The potential buyers of China Vision included John Sham and North America (Canada) Television Production Corporation, which was affiliated with the Sun Yee On triad.<sup>16</sup> This offer was withdrawn following information given to the CRTC by Canadian authorities. (S)

36. In 1993, Thomas Fung of Fairchild Communication Ltd. of Vancouver submitted an offer to purchase China Vision to the CRTC for CDN\$9.25 million. Fairchild Communications Ltd. is 80 per cent owned by Happy Valley Investments Ltd. also of Vancouver, and 20 per cent by Television Broadcasts Ltd. of Hong Kong, the largest global producer of Chinese-language programming. Various Canadian groups of Chinese origin opposed Fairchild's purchase offer because they were concerned that this sale would open the door for the Chinese government to influence Canadian television news broadcasting. They argue the station would be vulnerable to political pressure from the Chinese government, especially after 1997, and because the Hong Kong media often practised censorship where China was concerned for fear of offending the government of that country. Although the CRTC shared some of these groups' concerns, in October 1993 it approved the purchase of China Vision by Fairchild Communications Ltd., granting it a licence for four years. It should be pointed out also that Fung has bought an important amount of shares in Hollinger and Southam, two press giants in Canada. (C)

37. Hong Kong Telecommunications and Wharf Cable Ltd. In March 1997, these two companies formed a consortium with Li Ka-Shing's Hutchinson Whampoa Ltd., Cheng Yu-tong's New World Development Co. and Heung (Jimmy) Wah-shing's Win Film Co. Jimmy Heung is known in Hong Kong as a senior officer of the largest triad, Sun Yee On. He is the younger brother of Heung Wah-yim, the Dragon Head of this group, who was officially identified in 1992 by the US Senate's Standing Committee on Asian Organized Crime. The output of these companies is used by the Canadian Chinese-language media. It should be noted that the company was bought by another Hong Kong company, Fairchild Communication, and CRTC is also the owner of Hong Kong Telecom. The productions of all the above mentioned companies are used by the Canadian Chinese language media. This transaction highlights well the close relationship among Chinese business people, the triads and China's power. (S)

#### Food-services industry

38. Tai Foong International. Triad members or their associates are also involved in the food-services industry, witness the example of Tai Foong International of Mississauga, Ontario. The company's chairman and managing director, David Lam, is affiliated with the Kung Lok triad.<sup>17</sup> Tai Foong International sells seafood around the world. The company has offices in Vancouver, Calgary and Montreal, with headquarters

<sup>16</sup> See Project Sunset, CID/RCMP

<sup>17</sup> Ibid.

in Mississauga. It has divisions in the United States, specifically Las Vegas and Seattle, and in Hong Kong. According to our information, Tai Fong International is believed to be involved in importing heroin into Canada from Hong Kong.<sup>18</sup> In addition, various members of the management have for several years maintained regular contacts with Chinese trade and military representatives in Canada, organizing meetings, paid visits of Chinese delegations and so on. Several, including David Lam, have travelled frequently to China on business. (S)

#### Real estate and hotels

39. Everywhere in the world the core of Chinese economic activity is located in large urban centres. In Canada, the bulk of the country's economy is concentrated around a few large cities only. Real estate has always been a preferred area for the Chinese, and several have built large fortunes from it. In itself real estate is not a obvious threat to the security of Canada but it becomes an excellent vehicle to gain access to local politicians and their influence and power. You own one building is one thing, you own 10 or 20 commercial buildings and then your influence is considerable. If you are located in the heart of the business activities, you are the focus of attention. The business centres of Toronto, Vancouver and in part Montreal are now in large portion owned by Hong Kong or Beijing. (C)

40. **Grand Adex Properties Inc. and Concord Pacific Development Corp.** Grand Adex is wholly-owned by the Kauno Hui and Li Ka-Shing families. In 1987, the two tycoons' sons, Terry Hui and Victor Li, helped Li Ka-Shing acquire 80 hectares of Expo 1986 land in Vancouver for Concord Pacific. They are now pursuing a residential development mega-project estimated to be worth \$3 billion. In March 1997, Grand Adex and Concord Pacific repeated the same scenario by going into partnership with the Toronto company TrizecHahn Corp (80 per cent foreign own), obtaining a \$2 billion project and 18 hectares of prime land west of Skydome in downtown Toronto. They also obtained an exclusive lease on the CN tower for the next 35 years with two possible 15-year extensions. At 35, Terry Hui, who has now obtained Canadian citizenship, heads up these two companies and is considered the most important property developer in Vancouver. (UC)

41. **World Financial Properties.** In 1992, when the Reichman brothers' Olympia and York Development company faced a serious financial crisis, the CIBC was the Reichmans' largest Canadian creditor, and the Bank of Hong Kong the largest overall creditor. Li Ka-Shing's Dragon Holdings Ltd. acquired 51 per cent of Olympia and York Dev.'s New York office towers for \$20 million, and, in 1996, bought Olympia with the assistance of the Bronfman family, renaming it World Financial Properties. (UC)

42. **Ramada Hotels, Harbour Castle (Toronto) and others.** Large hotel chains and almost all the prestige hotels in Canadian urban centres are now owned by Chinese private or state interests. This is an easy service sector and is used mainly to generate income while increasing property holdings. Such is the case of the Ramada international chain, owned by Stanley Ho (25 hotels in Canada), the Sutton Place in downtown Toronto, acquired in 1993 for CIDA\$29 million and the Meridien Hotel in Vancouver. The Harbour Castle Westin in Toronto was bought by Li Ka-Shing in 1981 at a price of \$93 million and a further \$20 million payment in 1989. Other examples, the Carlton Inn and the Carlton Place in Toronto are owned by CITIC. This, of course, is only a tiny part of what is to be found in Vancouver, Montreal and other Canadian centres.

<sup>18</sup> Ibid

(S)

46. All areas of the Canadian economy are targeted, but high technology is the one most at risk. Several cases of theft of Canadian proprietary information and/or technology have been reported to and investigated by Canadian authorities. For example, Ontario Hydro believes it was the victim of theft of information in the nuclear technology field by an individual of Chinese origin. This individual sent unauthorized faxes (some containing hours worth of data) to a telephone number in China associated with the State Science and Technology Commission. In another case, a Chinese employee of a major computer company based in Canada was accused of copying the company's proprietary information onto diskette, for the purposes of selling the information to China. In a third instance, a Canadian company alleged that one of their former employees, who had previously served in the Chinese military, stole proprietary information regarding energy technology and sold it to the Chinese government. (S)

47. The Chinese government also takes advantage of growing business ties between China and Canada to provide cover for intelligence activities. For example, a company owned by a Chinese-Canadian sponsored what was ostensibly a Chinese business delegation to come to Canada. In reality, the "delegation" was comprised of Ministry of State Security officials travelling to Canada to conduct an intelligence operation. Another delegation that travelled to Canada under the cover of representing a Chinese company was actually composed of officers from a sensitive sector of the People's Liberation Army, who were attempting to make arrangements to purchase secure communications technology for military purposes.

48. The CHIS do not hesitate to expend great energy on pursuing their activities. They have established companies on Canadian soil solely for traditional and economic espionage purposes. These companies are used as cover for CHIS agents to help gain them an entrée into Canadian business circles. These front companies have been observed to have contacts with the triads in Canada. (S)

#### INTERFERENCE BY FINANCING CANADIAN POLITICAL PARTIES

49. One of the means used by the Hong Kong business people and triads associated to Beijing is to seek influence and support among Canadian politicians by financing political parties. This practice, is not unique to Canada. Recently, a stir was caused in the US media over the illegal Chinese funding of the Democratic Party. Over 2,000 American companies suspected of being used by Chinese are currently under investigation by the FBI. In 1993, Britain was wracked by a similar scandal when over £1.5 million (or nearly CND\$3 million) was donated to the British Conservative Party by Hong Kong financiers such as Li Ka-Shing (CND\$1.8 million), Stanley Ho (\$200,000), Tsui Tsin-Tong (\$100,000) and even C. H. Tung (70,000 \$) who is now Beijing's man in Hong Kong. (C)

50. Canada also allows "Canadian corporate citizens" to make financial contributions to political parties, but the parties are obliged by the Canada Elections Act to report the amounts. Many of the companies identified in this research have contributed sometimes several tens of thousands of dollars to the two traditional political parties, the Liberals and the Conservatives. As examples, in 1994, Merrill Lynch Canada gave the Liberal Party \$20,432.94. Between 1991 and 1994, Husky Oil, which is owned by Li Ka-Shing, alone contributed over \$100,000 to the same two parties. North America Studio (Canada), which was affiliated with the triads, also contributed. Set within their Canadian and regional contexts, the total amounts of these contributions to local organizations is substantial. Further, an "entrepreneur" may have several businesses in an area that will

also contribute to the parties' funds. In the end, large sums are distributed by various hands but from the same wallet. It is precisely the total amount distributed at several places that makes the interplay of influence and political "friendships" so important. (S)

51. The information presented here represent only a very partial view of the real situation and brings questions to the among of influence gain through donations. To obtain a complete picture, further research would be needed. (S)

## THE IMPORTANCE OF THE CHINESE DIASPORA

52. The key to the Chinese riddle lies in understanding the unique culture of the Chinese people.<sup>20</sup> The core of this culture is to be found in the importance of developing and maintaining a very broad network of privileged contacts based on the fact of being Chinese, your backers (*Hou Tui*) and an individual's obligations towards others (*Guanxi*). Furthermore, no other ethnic group in the world can equal the economic power of the Chinese diaspora. Their numbers are estimated at over 60 million, and their financial power is put conservatively at over US\$2 trillion. With the wave of immigration from Hong Kong, this financial power has grown again exponentially. Most Southeast Asian countries have long found their national economies to be dominated sometimes by as much as 90 per cent, by the Chinese community. While not supporting its political views, most Chinese retain a strong attachment to the Motherland remains. The Chinese diaspora is present on every continent and has always been, willingly or not, the point of entry into and the centre of operations in a foreign country for the ChHS and the triads. (S)

## CONSEQUENCES FOR CANADA

53. Because of its strategic alliance with some important and influential Hong Kong business people, and with organized crime syndicates, the Chinese leadership appears to be today in a position to developing a potential of influence over the international market and particularly on the Canadian economy and political life of the country. Why Canada? Because Canada always been somehow favourable to China. It has also an important Chinese community and very important economic ties with Hong Kong. Having bought significant real-estate holdings and established companies in Canada, gain some access to political leaders and business people, it is now in a position to seek power by influence. What make it difficult to argue against is the fact that most of it has all been done legally. Even more, the threat is manifold and very elaborated in a complicated web of businesses. It diffuses itself through a not so tangible network. If you look at a single individual, the threat does not seems to be there but because of their associations and their alliances with China, the facts analysed lead to the believe that a gain of influence is been the object of a concerted plan and that could constitute a threat to Canada. (S)

54. Some Chinese owners are now in a position to use the Canadian companies they have bought and some political channels that they have developed to obtain subsidies for research and even classified contracts. Once access is gained, little is in place to prevent them from repatriating the fruits of the research or classified information to China. (S)

<sup>20</sup> See Appendix VI, The Chinese Diaspora.

55. The triads and their associates also used these positions to transfer large sums of money derived from criminal activities into the Canadian economy. Buying Canadian property or a Canadian business affords a "window" of opportunity to pursue their illegal activities in Canada, such as money-laundering and drug-trafficking. (S)

56. One of the important dimension of the Chinese financial holdings is its ownership over important Canadian real estate. The nerve centre of the Canadian economy is concentrated in three or four large urban centres. Already, a large part of these financial centres are in the hands of Chinese interests<sup>21</sup>. Canada is not the only country where we observe this situation. One has only to look at the profile of the Southeast Asian economy or the investigations currently underway in the United States. The Canadian economy, however, is more vulnerable because of many legislative loop hole governing finance and the concentration of financial power in the hands of few. The potential of threat also lies in the fact that, at present, a foreign power, China, seems to be in a position to influence the Canadian economy and politics. (S)

57. Several Canadian companies in the security field, such as computer management and video surveillance, are now owned by Chinese interests. When a contract is awarded by federal departments to private companies, the usual security investigations are done on the persons who will eventually be working on a project or installing equipment. Now a new threat seems to be itself in relation with the ownership of some companies. The case of Data Crown is a good example of this situation. Although some verifications to investigate foreign companies are done by a group of people at the Department of Public Work, it is not impossible that this shortcoming has already been exploited but no one is able at the moment to answer this question with any certainty because of the complexity of the ramifications involving Chinese companies owned or the ones with some special interest with China. (S)

58. There is no longer any doubt that the emigration process in Hong Kong has being abused, and that individuals are being corrupted in some of the Western immigration services. The entry of triad members and the cases of 13 illegal migrants laid against an ex-judge of the immigration services are not the only cases of malpractices and had caused in the past problems to the immigration system. This situation places Canada in a vulnerable position regarding illegal immigration and shows the interest by the Chinese of the Canadian immigration system. (S)

59. China remains one of the greatest ongoing threats to Canada's national security and Canadian industry. There is no longer any doubt that the CHIS have been able to gain influence on important sectors of the Canadian economy, including education, real estate, high technology, security and many others. In turn, it gave them access to economic, political and some military intelligence of Canada. The great difficulties in determining the threat is that it is diverse and multi-layered. It diffuses itself through elaborated networks hold by a cultural practise that still is not well understood by Western Services. (S)

<sup>21</sup> For example, Li Ka-Shing owns several building in the core of Toronto financial district. It is also estimated that he currently owns one-sixth of downtown Vancouver. Among some of his projects, he bought the largest undeveloped sites in any downtown core in Canada; the land around the CN Tower and obtained with it the exclusive right to use the tower for \$2 billion dollars, Expo '86 lands in Vancouver for \$3 billion dollars, 1 Harbor Castle Westin in Toronto (\$93 millions (1981)).

## RECOMMENDATIONS

1. An expanded task force including analysts from at least the RCMP, CSIS, DFAIT, Immigration Canada and Revenue Canada (Customs and Excise) should be formed to pursue the research begun by this document. (S)
  - To assess the actual control of Chinese companies over the Canadian economy. (S)
  - To review who the influential Canadian figures are on the boards of the Canadian companies. (S)
  - To consult the FBI, which has recently undertaken a similar study; such consultation could prove mutually beneficial. (S)
2. Support a series of presentations to CSIS regional directorates and RCMP divisions to alert operational managers to the need to investigate Chinese activities the better to grasp the links among the Chinese Intelligence Services, the triads and entrepreneurs in the service of Chinese companies. (S)
3. Organize a series of presentations for senior members of the Canadian security and intelligence community. (S)
4. Organize presentations for specific government departments affected by the problem other than those in the intelligence community, such as Justice and Industry. (S)
5. Undertake review of security companies which have installed security systems for federal government departments and Crown corporations to determine the real control and ownership of the companies and the potential risk to the integrity of the systems. (S)
6. Carry out thorough research to determine the extent of contributions to Canadian political parties by Chinese companies established in Canada. (S)
7. Produce a strategic analysis of the activities and involvement of the government of China and the triads in Chinese entertainment and media in Canada. (S)

**ANNUAL NUMBER OF CERTIFICATES OF  
PERMANENT RESIDENCE IN CANADA FOR PERSONS  
FROM HONG KONG SINCE 1990:  
"ENTREPRENEUR" AND "INVESTOR"  
CATEGORIES<sup>22</sup>**

	ENTREPRENEUR	INVESTOR	TOTAL
1990	4294	2293	6587
1991	3622	2500	6122
1992	8130	4458	12588
1993	7698	5246	12944
1994	5758	5437	11195
1995	3623	2046	5669
1996	4352	2694	7046
1997 (March)	504	268	772
1990-1997	37981	24942	62923

<sup>22</sup> Citizenship and Immigration Canada, Permanent Resident Databank, April 1997

# ANNUAL BREAKDOWN OF THE CHOICE OF PROVINCE BY PERMANENT RESIDENTS FROM HONG KONG: "ENTREPRENEUR" AND "INVESTOR" CATEGORIES<sup>23</sup>

	1990	1991	1992	1993	1994	1995	1996	1997 (mars)	1990- 1997
Newfoundland	13	3	9	8	9	1	0	0	43
P.E.I.	6	2	4	12	5	13	27	0	69
Nova Scotia	22	42	79	160	243	168	204	19	918
New Brunswick	9	12	21	17	13	14	4	0	90
Quebec	1481	1555	4354	3379	855	586	738	64	12948
Ontario	1857	1595	3099	3627	3399	1839	2196	346	17612
Manitoba	76	89	142	119	143	22	28	3	619
Saskatchewan	115	73	286	261	138	39	13	4	925
Alberta	341	329	825	1048	1025	428	559	61	4553
British Columbia	2663	2417	3762	4313	5354	2559	3260	275	24337
North West Territories	4	5	0	0	7	0	4	0	20
Yukon	0	0	7	0	4	0	4	0	15
Total	6587	6122	12944	12944	14195	5669	7046	399	62933

<sup>23</sup> Ibid

## ORIGIN AND DESCRIPTION OF THE TRIADS

1. The origin of the triads remains blurred by romantic legend, heroic myths and patriotic folklore. "Triad" is an English term given to describe the three-sided symbols found on many of the early flags and banners of various Chinese political and social organizations. The three sides represent the three primary forces of the universe-heaven, earth, and man. Triads originated in China during the 17th century in the form of secret societies. They were dedicated to the political cause of overthrowing the Mongolian Manchu (or Ch'ing) Dynasty. While their original intentions were patriotic in nature, by the late 1800s, triads had evolved into widely feared criminal societies.
2. During the upheavals in China in the early part of this century, they aligned themselves with the nationalist Chiang Kai Shek, himself a major triad leader. When the communists seized control of mainland China in 1949, these syndicates fled to Hong Kong and Taiwan.
3. Triads today remain extremely secretive and closed criminal fraternities. The triads also developed highly ritualized initiation ceremonies meant to instill a strong sense of secrecy, and more importantly, loyalty to other triad members. Thirty-six oaths, most dealing with loyalty to the triad, traditionally are part of these initiations. For example, Oath number 4 states: "I will always acknowledge my Hung brothers when identify themselves. If I ignore them, I will be killed by myriads of swords." Oath number 20 states that if a brother gives away the secret ceremonies of the society, may he be eaten by a tiger or have his eyes bitten out by a snake. Each oath ends with a promise of death if the oath is broken.
4. An individual gains considerable benefits from being a triad member. These benefits include:
  - 1) FREEDOM OF MOVEMENT - membership gives the automatic right to operate socially or criminally in an area controlled by the triad.
  - 2) FINANCIAL AID - when arrested by Police, he can rely on fellow members to provide financial aid for legal expenses and his family.
  - 3) CONFIDENCE - triad members who are involved in syndicated crime require continuous contact with their fellow conspirators and the fact that all have taken a triad oath instills a greater degree of mutual trust.
  - 4) FEAR - the fact that a criminal is a triad member and tells his victim so, often reduces the necessity for violence.
  - 5) FACE - this is very important and there is no doubt that triad membership increases one's status in the criminal community.
  - 6) POWER OR PHYSICAL SUPPORT - if involved in a dispute he can summon fellow members to his aid to intimidate or assault the opposing party.
5. All triad societies display some degree of hierarchy, and a typical triad has members organized by

rank. Each rank carries a title and a numerical value, based on triad ritual. The leader of a triad is known as the "Dragon Head" or the Mountain Lord, and carries the rank "489". Other "office bearer" positions include the deputy head of a branch also known as Assistant Mountain Lord, who carries the rank "438". This rank goes as well to the Vanguard and Incense Master, both of whom officiate at ceremonies. The White Paper Fan, who holds the rank of "415", is the advisor on administration, finance and organization of the branch. The Red Pole, who holds the rank "426", is the head fighter and battle strategist. The Straw Sandal, holding the rank of "432", is responsible for organizing battles and meetings with other societies. He also delivers demand notes when necessary, for ransom or protection money. All other triad members are known as ordinary members or soldiers, and hold the rank of "49".

6. The relationships among individual triad members are based on ties between "Dai-Lo's" (big brothers), and "Sai-Lo's" (little brothers). The Sai-Lo's give loyalty, support and sometimes money to their Dai-Lo, in exchange for protection and advice.

7. Triad societies are in fact a collection of loose-knit groups or gangs rather than a complete monolithic criminal organisation, such as the Mafia whose power is diffused from a central core through an organized chain of command. Instead, triad members frequently branch out into their own criminal enterprises. While the triad leadership does not always initiate and direct the criminal activities of all the triad members, triads clearly serve as international networks to facilitate such activity. Moreover, monetary profits from criminal activity of triad members often flow to the top in indirect ways, such as through gifts.

8. Even though it is now a criminal offence even to be a member of a triad in Hong Kong, that city is the undisputed capital of modern day triads. While exact numbers are difficult to corroborate, according to the Royal Hong Kong Police there are today in Hong Kong over 50 triad societies, of which 15 to 20 regularly come to the attention of the police through their involvement in crime. The clandestine nature of the triad movement precludes an accurate assessment of the total number of triad members, society membership ranging in size by considerable degrees. In Hong Kong, triads can be divided into four main categories:

#### The Chiu Chao Group

9. This group consists of four criminal syndicates. The oldest of the four is known as the Fuk Yee Hing and it continues to operate in Hong Kong. The membership of this triad is comprised mainly of descendants of the earliest immigrants from China. The youngest triad of this group is the Sun Yee On triad, established in 1919. The Sun Yee On Triad is currently the most powerful of the Hong Kong-based triads with extensive international interests (United States, New Zealand and Canada).

#### The Big Four

10. This group is composed of nine triad organizations whose name characteristically starts with one of the following words: Tang, Tung, Luen, and Ma. This group is involved in extortion, prostitution, and robbery. The Luen Kung Lok is one of the most important triads in Canada.

### The Wo Group

11. Thirteen triad organizations now belong to the Wo, including the Wo Hop To and Wo Shing Wo. The Wo triads are principally noted for their large-scale robberies and gangland-style killings.

### The 14K

12. The 14K is the third largest society of modern times. The society was formed in 1949 by refugees from the Chinese mainland. 14K has a large number of sub-branches and independent groups. This triad has become international in scope with branches in Japan, Taiwan, Southeast Asia, Europe, United States and Canada.

### Taiwan

13. After 1949, the triads also fled to Taiwan. Today there are believed to be 700 or so gangs and triads in Taiwan. One of the most famous and largest is the United Bamboo Triad. The United Bamboo has an estimated membership of over 20,000. It now operates internationally in the United States, Canada and throughout the Far East. The group is particularly active in Los Angeles, Houston, New York and Vancouver, and has been linked to murder, kidnapping, alien smuggling, illegal gambling, loansharking.

## PROFILES OF TYPICAL TRIAD MEMBERS

These profiles are used by the Immigration Control Office and the RCMP Liaison Office in Hong Kong to assess applicants.

### PROFILE A : YOUNG ADULT<sup>24</sup>

- Sex: Male

- Age: 11-25

- Occupation: The status of an individual can range within this category depending on the position within a society. At lower levels, some will be unemployed and will be living off their girlfriends, who in many cases may be willing prostitutes. If employed, employment will be in a business of a cash generating nature, e.g., hawkers, night clubs, restaurants, interior decorating firms, fish markets, health clubs, massage parlours, mahjong schools, billiard halls, sports or martial arts clubs, film or video distribution companies, and transportation companies. Generally, the education level will not be beyond a secondary education.

- Travel: Asian countries, North America.

- Residences Outside Country of Origin: Generally, this group will not have real estate outside their country of origin.

- Foreign Countries Used For Criminal Activities: Although this list is by no means exhaustive, North America, Thailand, China, Taiwan, Singapore, Nepal, and Vietnam have been identified as primary areas of operation.

- Outside Activities: Gambling, horse races, triad affiliation.

- Arrest Convictions: Juvenile record for minor violence, petty thefts, gambling, fighting, and weapons offences. In later years, a more serious record of crimes of a more sophisticated nature will be noted; i.e.: extortion, pimping, drug trafficking, triad affiliation, bookmaking and loan sharking. This would indicate an individual being a member of a youth gang and then graduating to an affiliated street gang and then as a senior gang member. Some may have tattoos such as dragon, phoenix, snake, etc.

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<sup>24</sup>Garry W.F. Clement, RCMP (Hong Kong) and Brian McAdam, Immigration Canada (Hong Kong),  
Triads and Other Organized Crime Groups.

PROFILE B : MATURE MEMBERS<sup>25</sup>

- Sex : Male.
- Age : Over 25
- Occupation: Within this age bracket, it is still possible to see some of the characteristics of younger members, however, with age it can be assumed that if triad associated, the individual will move farther and farther away from the actual criminal activities and will appear as a manager/owner of a cash generating business. Subjects will possess a substantial amount of wealth and would apply under the business immigration program, but may also appear in other immigration categories. Likely has had involvement in past or currently with businesses listed in Profile A on previous page.
- Education: The educational level will generally be no more than a secondary education, although some exceptions do exist.
- Travel: Extensive in Asia and will show considerable travel to North America prior to making application for immigration.
- Residences Outside Country of Origin: May have an interest in North American businesses which will likely be in the form of a hotel, restaurant or finance affiliated business. May already own property and/or business in Canada.
- Foreign Countries Used For Criminal Activities: Asian countries such as China, Vietnam and Thailand for drug-related activities, and Taiwan, Hong Kong and Singapore for money laundering.
- Outside Interests: Will be involved in the business community to the greatest extent possible in order to give the appearance of legitimacy and may be on the executive or an active member of many well known charitable organizations such as the Boy Scouts, Rotary clubs, etc. By donating to charitable causes and organizations, may attempt to cultivate political friends and make a habit of associating with prominent members of the community to gain influence. May be a gambler, frequent the races and attend triad-associated functions.
- Arrest Convictions: As in Profile A, a progression may be noted with criminal convictions in early years. Later on, subject may have a clean record, but intelligence may reflect triad association and/or gambling offences or being a triad member. This would indicate an individual may have progressed through a triad hierarchy and is now controlling a certain criminal group.

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<sup>25</sup>Ibid.,

## CHINESE DIASPORA

1. The dynamics of Asian's extra ordinary growth cannot be understood without a thorough examination of the Overseas Chinese also known as Hua Qiao. The Overseas Chinese community is a borderless nation, united by ties of family, clan, language and motherland. It is estimated that there are some 60 million Overseas Chinese who contribute much to the overall economic strength of their ancestral homeland, providing ready-made linkages and networks (guanxi) for legal and illegal business.
2. Hua Qiao influence, power and wealth are disproportionate to its size. "In some Asian countries, the small populations of Overseas Chinese control an amazing percentage of the economy: in Thailand, the Overseas Chinese comprise only 10 per cent of the population (8 million) but have 60 per cent control over the economy; in Malaysia 35 per cent and 60 per cent; in the Philippines, 2 per cent and 60 per cent; in Vietnam, 5 per cent and 60 per cent; in Indonesia, 3 per cent and 85 per cent. In countries where Chinese have been the dominant group for much longer, the percentages are higher: in Singapore, 75 per cent and 95 per cent; in Taiwan, 100 per cent and 100 per cent."<sup>27</sup>
3. "The Overseas Chinese community has one of the world's largest pools of liquid capital, amounting approximately US\$ 2 trillion. Their "GNP" is estimated to be one quarter larger than of China, that is, approximately US\$ 450 billion. This is a staggering amount considering that Japan with a population double that of the Overseas Chinese, has only US\$ 3 trillion in assets in 1990."<sup>28</sup> This power base is the result of a pragmatic cohesion of ethnic solidarity aided by official and unofficial networks. This cohesion is complemented by sophisticated resources supporting information and technology on a global scale.

<sup>27</sup>Douglas D. Hays, A Law Enforcement Sourcebook of Asian Crime and Cultures, Tactics and Mindsets, CRC Press, New York, 1997, pp. 170-171

<sup>28</sup>Mark Craig, Chinese Organised Crime, Queensland Police Service, Australia, 1996, p 10.

## GUANXI OR NETWORKING

1. Influenced by the Chinese, but practised in a variety of Asian societies, "guanxi" means to gain access to social resources, acquire social status and advance economically. Although this practice is not totally foreign to Westerners, they would generally apply individual initiative to advance themselves economically and socially. Asians have mastered the art of gaining advancement through the development of a network of relations.
2. Asian society is relational, while Western society is an individualistic society. Asian society regulated by the collective morality of relational networks and the rule of law plays a secondary role. Western society, on the other hand, is a legalistic society in which the individual is subordinate to the law. "These major differences produce an Asian society that sees behaviour on a moral continuum which proceeds from black through many shades of gray to white, while Western society only sees behaviour that is black and white."<sup>26</sup>
3. When a relational society is coupled with a monetary objective, any venture that is profitable can and will be pursued. Therefore, one can say that Asian crime is a form of business and Asian criminals organize and conduct their criminal activities just as they conduct any business; through vast networks of relations. A globally distributed population and an influential and powerful infrastructure in virtually every country in the world, enables Chinese crime groups to carry out transnational and domestic criminal activities on a much bigger scale than the Italian Mafia, the Colombian drug cartels and Russian-based organized crime.

<sup>26</sup> Willard R. Myers III, *Guanxi and Its Role in Asian Crime: A System of Social Organization and Resource Distribution Is the Foundation of Organized Crime*, Center for the Study of Asian Organized Crime, 1995.